AUDITED FINANCIAL STATEMENTS

RAPPORT FINANCIER VERIFIÉ

Financial Statements of

CANCER CARE ONTARIO

Year ended March 31, 2003

104-06026/

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To Cancer Care Ontario
and to the Minister of Health and Long-Term Care

I have audited the statement of financial position of Cancer Care Ontario as at March 31, 2003 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of Cancer Care Ontario's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of Cancer Care Ontario as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 30, 2003

J.R. McCarter, CA
Assistant Provincial Auditor

CANCER CARE ONTARIO

Statement of Financial Position
(In thousands of dollars)

March 31, 2003, with comparative figures for 2002

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 35,757	$ 5,372
Short-term investments	4,010	3,016
Accounts receivable	10,701	12,046
Due from the Ministry of Health and Long-Term Care	18,248	46,720
Due from Community Foundations	4,821	3,177
Other	3,608	3,982
	77,145	73,313
Long-term investments (note 2)	58,434	55,766
Accrued pension asset (note 3)	7,879	8,858
Capital assets (note 4)	57,424	33,353
Other	337	454
	$ 201,219	$ 171,744
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 44,502	$ 46,217
Deferred contributions:		
Deferred operating grants (note 5(a))	23,657	19,679
Deferred contributions related to capital assets (note 5(b))	71,782	46,877
	95,439	66,556
Post-retirement benefits other than pensions (note 3)	6,801	4,864
Fund balances:		
Endowment	2,613	2,964
Internally and externally restricted	34,592	33,959
Invested in capital assets (note 6)	4,849	6,735
Related to post-retirement benefits (note 7)	1,078	3,994
Unrestricted	11,345	6,455
	54,477	54,107
Commitments (note 11)		
Contingency (note 12)		
	$ 201,219	$ 171,744

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CANCER CARE ONTARIO

Statement of Operations
(In thousands of dollars)

Year ended March 31, 2003, with comparative figures for 2002

	Restricted		General		Total	
	2003	2002	2003	2002	2003	2002
Revenue:						
Ministry of Health and Long-Term Care	$ –	$ –	$ 286,110	$ 265,955	$ 286,110	$ 265,955
Investment income (note 8)	61	1,005	3,210	4,064	3,271	5,069
Donations, bequests and grants	8,334	6,880	157	230	8,491	7,110
Amortization of deferred contributions related to capital assets (note 5(b))	1,705	1,198	13,130	6,250	14,835	7,448
Other	19,801	13,665	18,164	16,296	37,965	29,961
	29,901	22,748	320,771	292,795	350,672	315,543
Expenses:						
Salaries	5,622	4,657	118,888	121,901	124,510	126,558
Benefits	1,183	870	30,962	32,605	32,145	33,475
Drugs	16	5	67,935	61,665	67,951	61,670
Other operating (note 9)	17,421	10,758	58,369	54,029	75,790	64,787
Medical and surgical services and supplies	2,131	1,343	22,320	18,494	24,451	19,837
Amortization of capital assets	1,705	1,198	17,047	11,227	18,752	12,425
Pension (note 3)	–	–	4,605	5,634	4,605	5,634
Post-retirement benefits other than pension (note 3)	–	–	2,098	2,009	2,098	2,009
	28,078	18,831	322,224	307,564	350,302	326,395
Excess (deficiency) of revenue over expenses	$ 1,823	$ 3,917	$ (1,453)	$ (14,769)	$ 370	$ (10,852)

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Changes in Fund Balances
(In thousands of dollars)

Year ended March 31, 2003, with comparative figures for 2002

	Restricted		General			2003	2002
	Endowment	Other	Invested in capital assets (note 6)	Related to post-retirement benefits (note 7)	Unrestricted	Total	Total
Fund balances, beginning of year	$ 2,964	$ 33,959	$ 6,735	$ 3,994	$ 6,455	$ 54,107	$ 64,959
Excess (deficiency) of revenue over expenses	26	1,797	(3,917)	(6,703)	9,167	370	(10,852)
Interfund transfers (note 10)	(377)	(1,164)	–	–	1,541	–	–
Funding contributions to post-retirement benefits	–	–	–	3,787	(3,787)	–	–
Invested in capital assets (note 6)	–	–	2,031	–	(2,031)	–	–
Fund balances, end of year	$ 2,613	$ 34,592	$ 4,849	$ 1,078	$ 11,345	$ 54,477	$ 54,107

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses - Restricted	$ 1,823	$ 3,917
Deficiency of revenue over expenses - General	(1,453)	(14,769)
Amortization of capital assets	18,752	12,425
Amortization of deferred contributions related to capital assets	(14,835)	(7,448)
Change in non-cash operating working capital	29,810	(27,531)
	34,097	(33,406)
Investing activities:		
Short-term investments, net	(994)	(3,016)
Long-term investments, net	(2,668)	5,421
Purchase of capital assets:		
Funded by contributions for capital assets	(40,792)	(18,206)
Internally funded	(2,031)	1,866
Other assets	117	94
Change in accrued pension asset	979	2,868
Change in post-retirement benefits other than pensions	1,937	1,909
Deferred contributions related to capital assets	39,740	38,465
	(3,712)	29,401
Increase (decrease) in cash and cash equivalents	30,385	(4,005)
Cash and cash equivalents, beginning of year	5,372	9,377
Cash and cash equivalents, end of year	$ 35,757	$ 5,372

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2003

The Government of Ontario approved the establishment of Cancer Care Ontario (the "Organization") on April 29, 1997. It will facilitate significant improvements for cancer patients, their families and the public in the outcome, quality and efficiency of cancer services. The cancer services will encompass prevention, early detection, diagnosis, treatment, supportive care, research and education. The Organization was incorporated under the name of The Ontario Cancer Treatment and Research Foundation by an Act of Legislature of the Province of Ontario in 1943 and the name of the Organization was changed in 1997 to Cancer Care Ontario. The Organization is a registered charity under the Income Tax Act.

1. Significant accounting policies:

The Organization's financial statements are prepared by management using Canadian generally accepted accounting principles.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, deferred contributions and fund balances at the date of the financial statements and the reported amounts on the statements of operations and changes in fund balances during the year. Actual results could differ from those estimates.

(a) Fund accounting:

The Organization uses the restricted fund method of accounting for contributions.

The General Fund accounts for the Organization's Ministry of Health and Long-Term Care funded programs and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Restricted Fund reports all externally and internally restricted resources. The main use of these resources is for research and education. These funds include donations and grants which either have specific restrictions placed on their use by the donor or have been received by a centre and are restricted for use by that centre.

The Endowment Fund reports contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently.

1. Significant accounting policies (continued):

(b) Revenue recognition:

Restricted contributions related to Ministry of Health and Long-Term Care funded programs are recognized as revenue of the General Fund in the year which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate Restricted Fund in the year of receipt.

Contributions for endowment are recognized as revenue of the appropriate Endowment Fund in the year of receipt.

Restricted investment income earned on Endowment Fund resources are recognized as revenue of the Restricted Fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received.

(c) Inventory:

Drug inventory is stated at the lower of cost and net realizable value, and is included in other current assets.

(d) Investments:

Short-term investments are stated at cost, which approximates market. Short-term investments are those with original terms to maturity in excess of three months but less than one year. Short-term investments with maturity of less than three months are recorded as cash.

Long-term investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

1. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are recorded at cost. Contributions received for the purchase of capital assets are recorded as grants for capital assets and amortized on the same basis as the capital assets. All capital assets are amortized on a straight-line basis at 20% per annum.

Land and buildings for four lodges donated by the Canadian Cancer Society - Ontario Division are recorded at nominal value, as current value is not reasonably determinable.

(f) Contributed services:

The Organization benefits from services provided by volunteers at the regional cancer centres. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) Post-retirement benefits:

(i) Pension costs:

The pension expense and obligation have been actuarially determined using a modified unit credit methodology prorated on services and based on management's best estimate assumptions. The pension expense for the year also includes adjustments for plan amendments and changes in assumptions which are being amortized on a straight-line basis over the average remaining service period of active plan members. Experience gains or losses which exceed 10% of the greater of the benefit obligation and the fair value of plan assets are amortized over the average remaining service period of active plan members.

(ii) Post-retirement benefits other than pensions:

The cost of post-retirement benefits other than pensions is actuarially determined using the projected benefit method prorated on employment services and is expensed as employment services are rendered.

The transitional obligation arising from the adoption of this accounting policy is being amortized over the average remaining service period of active employees expected to receive benefits under the benefit plans.

2. Long-term investments:

The carrying value and market value of the Organization's long-term investments are as follows:

2003	Carrying value	Market value	Effective yield	Maturity
Treasury bills, guaranteed investment certificates and cash	$ 5,206	$ 5,196	2.81%	Under 1 year
Bonds	43,306	43,151	3.39 - 15.68%	0 - 49 years
Equities	9,922	7,888	n/a	n/a
	$ 58,434	$ 56,235		

2002	Carrying value	Market value	Effective yield	Maturity
Treasury bills, guaranteed investment certificates and cash	$ 6,469	$ 6,456	2.4%	Under 1 year
Bonds	40,457	39,384	2.5 - 10.2%	0 - 31 years
Equities	8,840	8,498	n/a	n/a
	$ 55,766	$ 54,338		

3. Pension and other retirement benefit plans:

The Organization maintains a defined contribution pension plan with a minimum defined benefit guarantee. Contributions made by the Organization during the year were $3,626 (2002 - $2,767). Contributions made by the employees during the year were $3,626 (2002 - $2,767). The amount of benefits paid during the year was $12,966 (2002 - $5,667).

The Organization also offers non-pension, post-retirement benefits to its employees, including extended health care and drugs. Benefits paid during the year under this unfunded plan were $161 (2002 - $100).

3. Pension and other retirement benefit plans (continued):

Information about the Organization's plans is as follows:

	2003		2002	
	Pension benefit plan	Other retirement benefit plan	Pension benefit plan	Other retirement benefit plan
Accrued benefit obligation	$ (180,851)	$ (16,301)	$ (168,687)	$ (12,187)
Fair value of plan assets	172,195	–	204,952	–
Funded status, plan surplus (deficit)	(8,656)	(16,301)	36,265	(12,187)
Unamortized actuarial loss (gain)	57,523	(3,719)	16,143	(6,674)
Unamortized net transitional obligation (asset)	(40,988)	13,219	(43,550)	13,997
Net accrued benefit asset (liability)	$ 7,879	$ (6,801)	$ 8,858	$ (4,864)

The actuarially determined present value of the accrued benefit obligation is measured using management's best estimates based on assumptions that reflect the most probably set of economic circumstances and planned courses of action as follows:

	2003		2002	
	Pension benefit plan	Other retirement benefit plan	Pension benefit plan	Other retirement benefit plan
Discount rate	7%	7%	7%	7%
Salary increases	5% per annum	n/a	5% per annum	n/a
Expected net rate of return on plan assets	6.5% per annum	n/a	6.5% per annum	n/a
Hospital and drug cost trend rate	n/a	8% in 2003 to 4% in 2013 and after	n/a	8% in 2002 to 4% in 2007 and after
Other medical costs trend rate	n/a	4% per annum	n/a	4% per annum
Normal retirement age	65	65	65	65

4. Capital assets:

	Cost	Accumulated amortization	2003 Net book value	2002 Net book value
Office furniture, equipment and leasehold improvements	$ 58,982	$ 32,976	$ 26,006	$ 3,899
Therapeutic and other technical equipment	144,505	114,032	30,473	28,567
Radioactive cobalt and radium	1,072	939	133	59
Deposits on equipment	812	–	812	828
	$ 205,371	$ 147,947	$ 57,424	$ 33,353

5. Deferred contributions:

(a) Deferred operating grants:

Deferred operating grants represent unspent resources related to Ministry of Health and Long-Term Care funded programs. Unspent amounts are held for use in subsequent periods or settlement by the Ministry. Changes in the deferred operating grant balance are as follows:

	2003	2002
Balance, beginning of year	$ 19,679	$ 19,365
Amounts received related to subsequent periods	9,171	5,909
Amount recognized as revenue	(5,160)	(4,505)
Amount returned to Ministry of Health and Long-Term Care	(33)	(1,090)
Balance, end of year	$ 23,657	$ 19,679

5. Deferred contributions (continued):

(b) Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of funds received for the purchase of capital assets. The amortization of deferred contributions related to capital assets is recorded in the statement of operations. Contributions are amortized on a straight-line basis at 20% per annum. The changes in the deferred contributions related to capital assets balance for the year are as follows:

	2003	2002
Balance, beginning of year	$ 46,877	$ 15,860
Amounts received related to capital assets	39,740	38,465
Amount recognized as revenue	(14,835)	(7,448)
Balance, end of year	$ 71,782	$ 46,877

The balance of unamortized capital contributions related to capital assets consists of the following:

	2003	2002
Unamortized capital contributions used to purchase capital assets	$ 52,575	$ 26,618
Unspent contributions	19,207	20,259
Balance, end of year	$ 71,782	$ 46,877

6. Invested in capital assets:

	2003	2002
Capital assets	$ 57,424	$ 33,353
Amounts financed by deferred capital contributions	(52,575)	(26,618)
	$ 4,849	$ 6,735

6. Invested in capital assets (continued):

Change in net assets invested in capital assets is calculated as follows:

	2003	2002
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 14,835	$ 7,448
Amortization of capital assets	(18,752)	(12,425)
	$ (3,917)	$ (4,977)
Net change in invested capital assets:		
Purchase of capital assets	$ 42,823	$ 16,340
Deferred contributions related to capital assets	(40,792)	(18,206)
	$ 2,031	$ (1,866)

7. Fund balance related to post-retirement benefits:

The fund balance related to post-retirement benefits represents the accrued pension asset, net of the post-retirement benefits other than pensions.

8. Investment income:

Net investment income earned on the Endowment Fund resources in the amount of $44 (2002 - $62) is included in the Restricted Fund.

9. Other operating expenses:

	2003	2002
Restricted Fund:		
Research and other	$ 17,421	$ 10,758
General Fund:		
Purchased services	$ 26,712	$ 22,430
Building	14,265	13,660
Equipment	6,890	6,104
Other	8,403	8,450
Patient travel - referral program	–	1,453
Education and research programs and publications	1,299	1,132
Patient services	800	800
	$ 58,369	$ 54,029

10. Interfund transfers:

	2003	2002
Transfer to the General Fund from the Restricted Fund	$ 1,541	$ 832

The transfer from the Restricted Fund to the General Fund represents the release of internally restricted reserves and the release of funds previously held as endowed at the direction of the donor.

11. Commitments:

The Organization leases computer and office equipment. Under the terms of the leases, future payments are estimated as follows:

2004	$ 2,559
2005	1,745
2006	645
2007	58
2008	32
	$ 5,039

12. Contingency:

The Organization is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Organization will be required to provide additional funding on a participatory basis.

Since its inception, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivable from HIROC as of March 31, 2003.

13. Financial instruments:

The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, due from the Ministry of Health and Long-Term Care, due from Community Foundations and accounts payable and accrued liabilities approximate fair values due to the short-term nature of these instruments.

The fair values of long-term investments (note 2), accrued pension asset (note 3) and post-retirement benefits other than pensions (note 3) are available elsewhere in these financial statements.

14. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

15. Planned integration of operations:

The Organization is planning to integrate its operations at its regional cancer centres with its host hospitals. This will involve transferring the Organization's employees, operations and many of its assets at each of the regional cancer centres to the corresponding host hospital. The financial effect of these transactions, if any, expected to occur before March 31, 2004, cannot be determined at this time.